

Message Text

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PAGE 01 DUBLIN 00653 241505Z

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SUBJ: NEW FORECAST FOR IRISH ECONOMY

1. IN A QUARTERLY ECONOMIC REVIEW JUST PUBLISHED, A PRIVATE FIRM OF CHARTERED ACCOUNTANTS HAS PROJECTED A VERY OPTIMISTIC VIEW OF ECONOMIC DEVELOPMENTS IN IRELAND IN 1977.

BASICALLY, THE REPORT VIEWS 1976'S ECONOMIC PROGRESS AS RECOVERY FROM THE RECESSION AND REBUILDING OF INVENTORIES. 1977 IS VIEWED AS A YEAR OF CONSOLIDATION AND GROWTH WITH OUTPUT EXCEEDING THAT REACHED IN 1973, THE PEAK YEAR OF THE LAST CYCLE.

2. ACCORDING TO THE REPORT, THREE AND A HALF PERCENT GROWTH IN REAL GNP IS TO BE ANTICIPATED THIS YEAR. STRONG RECOVERY IN INDUSTRIAL OUTPUT IS FORESEEN - 8 PERCENT FOR ALL INDUSTRY, BUT AS MUCH AS 10-11 P/C IN MANUFACTURING. INVESTMENT SHOULD INCREASE BY AS MUCH AS 7 P/C, AND THERE SHOULD BE STRONG RECOVERY IN THE CONSTRUCTION SECTOR. THIS ECONOMIC GROWTH, OF COURSE, WILL CREATE AN INCREASED DEMAND FOR IMPORTS, AND A BALANCE OF PAYMENTS DEFICIT OF SOME 250 MILLION POUNDS IS ANTICIPATED, ABOUT 50 MILLION UNCLASSIFIED

UNCLASSIFIED

PAGE 02 DUBLIN 00653 241505Z

POUNDS MORE THAN LAST YEAR.

3. THE QUARTERLY REVIEW PROJECTS IMPROVEMENT IN THE AGRICULTURAL SECTOR. GROSS AGRICULTURAL OUTPUT IS FORECAST TO RISE BY 4 P/C, AND NET AGRICULTURAL OUTPUT SHOULD RISE BY 2.5 P/C IN REAL TERMS. PRICES ARE EXPECTED TO BE BUOYANT, AND FARM INCOMES MAY RISE BY AS MUCH AS 30 P/C. THIS RISE PLUS

AN EXPECTED INCREASE, ALTHOUGH MODEST, IN EMPLOYEE INCOMES SHOULD SUPPORT A 2.5 P/C INCREASE IN DOMESTIC CONSUMPTION. EXPORT PERFORMANCE IS EXPECTED TO IMPROVE AND 1977 MAY SEE A 9 P/C GROWTH IN EXPORT VOLUME OVER 1976. IMPROVEMENT IS EXPECTED IN BOTH AGRICULTURAL AND INDUSTRIAL EXPORTS.

4. WHILE A NUMBER OF ADVANCES ARE EXPECTED IN THE IRISH ECONOMY, SOME TROUBLESOME PROBLEMS WILL REMAIN. THERE MAY BE SOME IMPROVEMENT IN THE UNEMPLOYMENT SITUATION, BUT THE GAINS ARE EXPECTED TO BE VERY MODEST. INFLATION WILL BE LESS THAN THAT IN 1976, BUT THE RATE OF INCREASE PROJECTED FOR 1977 IS 14 P/C, WHICH IS A VERY HIGH RATE IN COMPARISON TO THAT OF OTHER WESTERN INDUSTRIAL COUNTRIES. ALSO, THE GOVERNMENT'S SPENDING IS EXPECTED TO INCREASE, AND WHILE THIS WILL ACT AS A STIMULANT TO THE ECONOMY, THE GOVERNMENT BORROWING REQUIREMENTS WILL PROBABLY INCREASE OVER THOSE OF 1976.

5. COMMENT: THIS LATEST ECONOMIC FORECAST IS, IN GENERAL, CONSISTENT WITH REPORTS WE HAVE RECEIVED FROM OTHER SOURCES. WE ANTICIPATE BUOYANCY IN THE ECONOMY, BUT WE ALSO FORESEE CONTINUATION OF THE SERIOUS PROBLEMS OF INFLATION AND UNEMPLOYMENT. THE NATIONAL WAGE AGREEMENT, WHICH STABILIZED WAGES FOR THE YEAR, IS, WE BELIEVE, AN IMPORTANT CONTRIBUTING FACTOR TO IMPROVED PROSPECTS AS IS THE GO'S JANUARY BUDGET WHICH PROVIDED TAX CONCESSIONS AND INCENTIVES TO INDUSTRY. ON THE BALANCE, WE EXPECT IMPROVEMENT IN THE ECONOMY, BUT WE DO NOT EXPECT ANY SPECTACULAR STRIDES FORWARD. CURLEY
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PAGE 03 DUBLIN 00653 241505Z

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